

DELAWARE ECONOMIC DEVELOPMENT OFFICE

LIVABLE DELAWARE PLAN

POLICY AND PLANNING SECTION
Revised December 2001

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DELAWARE ECONOMIC DEVELOPMENT OFFICE

LIVABLE DELAWARE PLAN:

INTRODUCTION

The mission of the Delaware Economic Development Office (DEDO) is to enhance the quality of life for all Delawareans by facilitating the retention and creation of quality jobs. Livable Delaware is an important initiative to preserve the state's quality of life. This is an increasingly important element when trying to retain existing businesses and recruiting new employers. The challenge is to manage land use in a way that balances economic development goals with smart growth. In this document, DEDO presents its plan for "pro-job growth" within a context that supports the Livable Delaware strategy.

DEDO recently changed its mission statement by placing "retention" before "creation" of quality jobs. By focusing on job retention within Delaware's existing businesses, DEDO is attempting to balance the need for economic development with quality of life issues. To retain jobs, we must keep our current businesses competitive. This will allow those businesses to retain their current workforce as well as expand and create additional employment. Growth is then spread across the state rather than in a single area. This also tends to spread the impacts of development (transportation, utilities, and population growth) throughout the state, allowing for gradual controlled or "smart" growth.

DEDO is also focusing on job creation by attracting new businesses to the state. To meet the goals of Livable Delaware, DEDO attempts to locate these new businesses in established industrial parks or in areas that have been identified by the state or local governments as appropriate for commercial development. These areas include brownfields, as well as approved industrial parks. Included in this plan are 12 programs grouped within the following 4 major economic development areas that support the goals and basic tenets of Livable Delaware:

- Existing Industry Retention and Expansion Programs,
- Environmental Incentive Programs,
- Marketing, Development, and Recruitment Programs, and
- Economic Development Financing Programs.

ECONOMIC DEVELOPMENT PROGRAMS – SUPPORTING LIVABLE DELAWARE

- ❑ Existing Industry Retention and Expansion Programs:
 1. Delaware Main Street Program
 2. Neighborhood Assistance Act
- ❑ Environmental Incentive Programs:
 3. Green Industries
 4. Brownfields Assistance Program
- ❑ Marketing, Development, and Recruitment Programs:
 5. Delaware Image Campaign
 6. Delaware Biotechnology Institute
 7. Delaware State University High Technology Incubator
 8. Delaware Technical and Community College – Owens Campus Incubator
- ❑ Economic Development Financing Programs:
 9. Delaware Strategic Fund
 10. Conduit Tax-Exempt Bond Program
 11. Delaware Access Program
 12. Small Business Innovation Research Grants (SBIR)

The following sections provide detailed program descriptions for each of the above programs.

EXISTING INDUSTRY RETENTION AND EXPANSION PROGRAMS

Schedule: None.

1. Delaware Main Street Program:

Contact person: Steven U. Boyd, State Coordinator, 672-6839

Enabling Laws: 30 Del. Code § 6102. The Delaware Tourism Office budget funds the Delaware Main Street program.

Policies: None

History: The Delaware Main Street Program was created in 1994 and is part of the National Trust for Historic Preservation's National Main Street Center (NMSC). The NMSC has worked in 44 states and Puerto Rico, and has assisted over 1500 communities nationwide in the revitalization of traditional downtown and neighborhood commercial areas. Since its inception, the Delaware Main Street Program has assisted over 12 towns in their efforts to physically and economically revitalize their commercial cores.

In the year 2001, the mission of the Delaware Main Street Program was revised to reflect the program's emphasis on strengthening the economic viability of Delaware's historic downtowns: To provide Delaware's

historic commercial districts with the tools to promote economic stability in business and workforce, and to retain and enhance their unique sense of place.

Current Situation: To date, seven communities participate in the program: Brandywine Village (City of Wilmington), Smyrna, Rehoboth Beach, Seaford, Newark, Dover and Delaware City. Recently, the town of Middletown submitted an application to join the program; the application is presently under review. Other towns, including Milford, Milton, New Castle, and Harrington have recently expressed interest in the program.

During the fiscal year 2000, the economic impact of the Main Street program was impressive -- every \$1 in public capital invested leveraged \$18 in private capital. During this fiscal year, Delaware Main Street communities saw a net gain of 26 businesses and the creation of 214 jobs. In addition, ten public improvement projects, 15 façade rehabilitation projects and 53 new business signs were added to complement the historic fabric of Delaware's historic communities. These economic improvements are made possible by both private and public investments and the common belief that the character of a small town is held in its Main Street community.

Three specific accomplishments have helped the Delaware Main Street program become a stronger leader at the state level. First, the program developed a strategic plan to guide and direct the seven participating programs for the next five years. Second, Delaware Main Street program successfully developed partnerships with several key state and federal agencies including the USDA, who awarded the Delaware Main Street program federal grants totaling \$36,000 to address rural business enterprise development. Third, the program strengthened its marketing and promotional efforts through development of a web site, newsletter, an annual statewide photo contest and volunteer recognition ceremonies.

Revisions/Actions Needed: In an effort to address the Livable Delaware Strategy, the Delaware Main Street Program seeks to include an increasing number of historic downtowns and urban neighborhoods statewide. Goals of the program's 2001 Strategic Plan align with the Livable Delaware Strategy:

1. Market the Delaware Main Street model to all interested and potentially eligible towns in Delaware.
2. Fully implement a three-tiered approach for communities within the Delaware Main Street Model, whereby towns advance through phases of the program over approximately five years.
3. Build partnership within DEDO, other state agencies, and statewide non-profit organizations to increase the visibility and support the viability of the Delaware Main Street Program and its activities.
4. Strengthen and increase funding for Delaware Main Street Program.
5. Increase marketing efforts of the Delaware Main Street program throughout the state, to include partners as identified in Goal #3 and extend to grassroots population.

Resources needed to create/reverse: Increase funding for program from \$75,000 to \$150,000 by July 1, 2005. It is estimated that a new community requires an investment of \$25,000 during the first year and \$15,000 each subsequent year. It is important to note that these costs are estimates only, as each community's needs may vary.

Process for creation/revision: (Refer to #1-5 in Revisions/Actions above.)

- 1) Market the program:
 - a) Market program to all potentially eligible Delaware towns by December 31, 2003.
 - b) Develop an RFP for an Economic Impact Study of the Delaware Main Street program by June 30, 2002, using +/-7 existing programs as basis for study.
- 2) Identify and recruit eligible towns and advance them through the program.
- 3) Build partnerships:
 - a) Identify and initiate communication with potential partners.
 - b) Introduce the "Main Street Approach to Downtown Revitalization" through appropriate actions.
- 4) Request "line item" status in State budget by June 30, 2002. Seek incremental funding increases from state legislature annually.

- 5) Increase marketing efforts of the Delaware Main Street program
 - a) Celebration of the program's accomplishments through recognition events.
 - b) Continue outreach of program via newsletter, fact brochures, web site and photo contest.

Schedule: The process for creation/revision is being implemented in DEDO's Strategic Plan.

Measures to guide progress: (Refer to #1-5 in Revisions/Actions above.)

- 1) Marketing the program
 - a) Number of contacts with potential main street communities.
 - b) Number of presentations to potential main street communities.
 - c) Number of new application to join the Delaware Main Street program each year, beginning June 2002.
 - d) Number marketing materials dispersed to towns, local Chamber of Commerce organizations and legislative contacts
- 2) One new town annually, and towns continuing to progress through three tiers.
- 3) Number of new Delaware Main Street partners per year.
- 4) Amount of incremental funding increase from state legislature annually.
- 5) Increase marketing efforts of the Delaware Main Street program
 - a) Number of newsletters distributed.
 - a) Number of "hits" on www.delawaremainstreet.com
 - b) Number of "appreciation events" initiated.
 - c) Number of entries in photo contest.

Interactions or inter-relationships with other agencies or units of government: Delaware Main Street seeks to work with Federal, State, Local and Non-Profit Agencies who encourage redevelopment of the downtown; improve the livability of existing communities and urban areas; and whose vision is to improve the economic stability of the community's commercial district. Current partnerships include United States Department of Agriculture, University of Delaware's Center for Historic Architecture and Design and Small Business Development Center, Department of State, State Historic Preservation Office, Preservation Delaware, and American Planning Association.

2. Neighborhood Assistance Act:

Contact Person: Alex Bradley (577-8470) and Helen Groft (672-6807), Delaware Economic Development Office

Enabling Laws: Title 30, Chapter 20, Sub-chapter 1, Sections 2001 - 2007

Policies: The Neighborhood Assistance Act Program is intended to give corporations an incentive to partner with Community-Based Organizations to implement projects and activities that help revitalize impoverished neighborhoods and urban communities. Most if not all "Community-Based Development Corporations" would target projects within the "Community" Investment Strategy Level per the Investment Strategy Map. The law provides Delaware businesses subject to state corporate tax a 50% tax credit (capped at \$100,000) on contributions and/or investments made to nonprofit, community or neighborhood based tax exempt organizations to either meet their operating costs capital improvements. The Neighborhood Assistance Act also provides for an advisory council to approve applications and to audit the use of funds.

History: Since the 1960's, community development corporations (the primary vehicle used to enact citizen-driven development) have been working to create a more stable economic and social climate in distressed urban and rural communities throughout the country. The efforts of private sector businesses and community based development organizations have stimulated business development and expansion, created jobs, provided employment training and placement opportunities, and have encouraged partnerships with developers and financial investors to build affordable housing. These activities have produced the kind of environment that have fostered opportunities for people to move from dependence on public assistance to self-sufficiency through livable wage employment and entrepreneurial efforts.

Current Situation: Applications have been received from the S.C.O.T.T. Connection CDC, The Delaware Parents Association, Coverdale Outreach Mission, and La Esperanza. These four are in various stages of making arrangements with corporate sector partners. Organizations in various stages of the application process include: The center for Community Education, Delmarva Clergy United in Social Action, House of Pride, Neighborhood House, Inc., Delmarva Rural Ministries, Milford Housing Development Corporation, Ministry of Caring, Alms Village, Dover Educational and Community Center, and Better Homes of Seaford.

Revisions/Actions Needed: A set of regulations and policy guidelines must be drafted and go through the processes of the Administrative Procedures Act. This procedure will have to be very creative, in the opinion of legal counsel the law is very poorly crafted. The activities to-date have been a series of referrals. After the administrative approval process, there should be a highly visible "roll-out" with identified qualified projects to attract interest.

Resources needed to create/revise: There is a need to fund administration, promotion, and compliance activities. While there is a need to identify additional sites in each county, the Neighborhood Assistance Act Advisory Council must focus on aggressively educating businesses about the program.

Schedule: Undetermined

Measures to guide progress: The number of partnerships formed.

Interaction/inter-relationships with other agencies or units of government: The Delaware Economic Development Office, The Governors Office, The Legislature, and the Tax Appeal Board.

ENVIRONMENTAL INCENTIVE PROGRAMS

3. *Green Industries:*

Contact person: Rob Propes - 577-8708, Delaware Economic Development Office

Enabling Laws: Executive Order 82 (signed July 25, 1990). Green Industry tax credits cited 30 Del. C. secs. 2040 - 2045. These sections of the code were enacted in 68 Laws Del. Chapter 202 and amended by 69 Del. Laws chapter 458 and 70 Del. Laws chapter 487.

Policies: Memorandum of Understanding was signed between DNREC and DEDO in 1991 specifies that DEDO should provide the following:

- 1) The creation of a "Green Industries" program that will provide technical assistance and financial assistance to private businesses that will promote the State's goals of waste reduction, reuse or recycling.
- 2) The Director of DEDO and the Secretary of DNREC shall designate a single point of contact within their respective offices for coordinating the Green Industries Initiative.
- 3) Eligibility for benefits under the initiative will be determined by concurrence of DEDO and DNREC. Industries must meet eligibility requirements as determined by DEDO and DNREC. Determination shall be made on a case by case basis and based upon information supplied to DEDO and/or DNREC by the subject business.
- 4) DNREC and DEDO will jointly develop a program description outlining eligibility requirements for receipt of benefits under the program and develop any requirements or regulations necessary for its adoption.
- 5) DEDO shall make all appropriate existing economic incentive programs available to eligible businesses.

- 6) DEDO shall seek a modification to the Blue Collar Jobs Act of 1984 in the 136th General Assembly to incorporate tax incentives for eligible businesses.
- 7) DEDO shall, with the assistance of DNREC, explore the establishment of additional financial incentive programs to assist existing and potential businesses in Delaware with waste reduction, reuse and recycling.
- 8) DEDO shall publicize the Green Industries Initiative and market Delaware as a state interested in attracting such businesses.
- 9) DEDO shall assist businesses with locating markets for recycled products by making information available on local, regional and national firms that purchase such products available on the Waste Minimization/Pollution Prevention Information Clearinghouse with the Delaware State Data Center's On-line Database.
- 10) DEDO shall promote the concepts of waste reduction and recycling through existing and future business development contacts and provide appropriate assistance to existing industries in Delaware wishing to incorporate these concepts into their business practice.

History: With the signing of Executive Order 82, the Delaware Economic Development Office and the Department of Natural Resources and Environmental Control embarked on a Green Industries Initiative to promote the use of recycled materials and a reduction in waste generation within Delaware's manufacturing sector.

Current Situation: In addition to the regular suite of services DEDO provides to any business looking to expand, start-up or relocate to Delaware, DEDO provides information on recyclables markets to businesses who have either an interest in buying or selling waste materials. This information is provided in the Delaware Recyclers Directory which is available in hard-copy or on DEDO's website. In addition, DEDO supports an application process for businesses who are interested in qualifying as a "Green Industry" with the concurrence of DNREC in order to obtain the enhanced tax credits.

In its current form, the Green Industries Program does not contribute to the advancement of the Livable Delaware Agenda. However, the effectiveness and performance of this program is currently under review, and there may be an opportunity to recast the program to support the objectives of the Livable Delaware Agenda.

Revisions/Actions Needed: An evaluation of this program will need to be completed to determine its past performance and alignment with current and projected business needs.

Resources needed to create/revise: No additional resources are needed at this time.

Process for creation/revision: DEDO will conduct a review of the program with input from DNREC, targeted businesses, and the State Long-Range Energy Plan Committee.

Schedule: An evaluation of the Green Industries Program will be conducted in the Spring of '02.

Measures to guide progress: To be determined.

Interactions or inter-relationships with other agencies or units of government: Consultations with DNREC and the Division of Revenue.

4. Brownfields Assistance Program:

Contact person: Rob Propes - 577-8708, Delaware Economic Development Office

Enabling Laws: Delaware Strategic Fund - 29 Del. C. Sections 5027-5029; Definition of a Brownfield - 7 Del. C. Section 9103; Enhancement of matching grant dollars for brownfield assessments and remediation projects - SB 183.

Policies: The Delaware Economic Development Office has recently issued regulations for public notice and comment, which specify eligibility standards for brownfields matching grant funds. DNREC is in the process of developing regulations pertaining to the certification of brownfields, which is a prerequisite to receiving brownfield matching grant money under SB 183.

History: Matching grant funds were set aside in the Delaware Strategic Fund to encourage redevelopment of sites that were underutilized, vacant or abandoned as a result of the real or perceived recognition of contamination. These sites are traditionally located in areas with existing infrastructure, and contributed to urban blight in and around residential communities.

Current Situation: SB 183 expands DEDO's current matching grant program to provide: 1) an increase in the amount of matching grant dollars available for brownfield redevelopment from \$25K to \$50K; 2) grant money to be used for Phase II assessments and remediation; 3) additional qualifying applicant categories from site end-user only to developer, non-profit, and public entities; 4) expanded categories of projects from commercial only, to residential and retail; and 5) an increase in total annual funding from \$500K to \$1 million through the Delaware Strategic Fund.

In addition to DEDO's effort to develop regulations per SB 183, DEDO has also developed and launched a Brownfields Resource Guide that is located on DEDO's website, which provides information on various state and federal programs that can assist in redeveloping brownfield sites. DEDO has committed financial resources to provide brownfields training to a member of its staff. DEDO and DNREC have also jointly funded a study by an environmental consulting firm to inventory all the brownfield sites in targeted development areas as defined in the State Policies and Spending document. This information will be used to identify and assist landowners who may be interested in selling or redeveloping their property and may be unaware of the resources available to them.

This new legislation and accompanying regulations will directly support goals #1, #2, #5, #6, #8 in the Strategies for State Policies and Spending document.

Revisions/Actions Needed: While a great deal of work has already been accomplished between DEDO and DNREC, both agencies recognize a need to formalize and strengthen their relationship to maximize the effectiveness of brownfields redevelopment.

One of the ways in which the two agencies can begin to formalize the relationship is to jointly develop a brownfields redevelopment strategy with specific goals, objectives, and defined areas of responsibility. The elements of this strategy could be articulated in an inter-agency memorandum of agreement to solidify the relationship.

Resources needed to create/revise: No additional resources are needed at this time to develop a joint strategic plan.

Process for creation/revision: DEDO and DNREC staff will develop a strategic plan that strives to entice property owners to sell or redevelop brownfield properties and market the brownfields assistance program. This mission will be paired with low and no cost action items.

Schedule: DEDO and DNREC will begin to develop a joint strategy in January '02, which will be completed in February '02. Depending upon the comments received during the public notice and comment period, DNREC's regulatory portion of the Brownfields Assistance Program will be finalized by March '02 at the earliest.

Measures to guide progress: Progress measures may include the number of grant applications received, the number of grant applications funded, the number of brownfield sites redeveloped using Brownfields Assistance dollars, and the total return on investment to the State in the form of new and/or improved jobs, capital investment, and an increase in the aesthetic appeal of the surrounding area, as well as other direct and indirect benefits that accrue to neighboring communities.

Interactions or inter-relationships with other agencies or units of government: There is currently legislation at the federal level (S. 350) that is being debated, and if passed, would provide additional cleanup funds for brownfields. There is also state and federal tax credits available for businesses that remediate and locate on a brownfield site. In addition, DNREC's Underground Storage Tank program has funds that can be used for the removal of underground tanks that are abandoned, or the current owner cannot afford to pay for the removal. Underground storage tanks are commonly found on brownfields.

DEDO is also committed to working with DNREC and the new Brownfields Coordinator for the City of Wilmington to redevelop brownfields within Wilmington. Wilmington currently has approximately \$300K in EPA grants that can be used to assess brownfield sites, and develop redevelopment plans with interested stakeholders.

MARKETING, DEVELOPMENT, AND RECRUITMENT PROGRAMS

5. Delaware Image Campaign:

Contact person: Julie Miro Wenger, Marketing Director, Delaware Tourism Office, 302-672-6826

Enabling Laws: Code. The allocation of the Public Accommodations Tax in 2000 increased our budget allowing DTO to help fund the project. Also, the Marketing Council funds from the interest of the Strategic Fund will be used to finance this project.

Policies: None

History: DTO conducted four focus groups to research the public's image of Delaware in February of 2000. The outcome of the research is that Delaware suffers from a lack of image. Not a positive or negative image; simply a lack of an image caused by general unfamiliarity. The problem can be seen throughout the various divisions of DEDO. Tourism feels the impact of Delaware not being a top-of-mind destination. Business Development spends much of their time and resources explaining our location, proximity and quality of life value to potential employers and Delaware businesses must do the same with employment candidates.

Current Situation: The Livable Delaware agenda and the image campaign are linked through direct support of each others' purposes and goals. The purpose of Livable Delaware is to insure the continuation of our quality of life. The image campaign will use our quality of life to brand Delaware as a desirable place to live, work, visit or locate a business.

One of the tenants of Livable Delaware is economic development that nurtures and maintains high quality jobs. Marketing efforts will be targeted to attract and expand industries that are consistent with Livable Delaware, such as biotechnology, information technology and tourism.

The image campaign will support the Livable Delaware agenda by generating greater appreciation for our quality of life among businesses, potential visitors and residents.

Revisions/Actions Needed: More funding is necessary to make the image campaign far reaching and applicable to all facets of DEDO and the state in general. Use of the new image by all state agencies will increase visibility and impact.

Resources needed to create/revise: The money committed thus far comes from the Public Accommodations Tax. Additional funding is expected from the Marketing Council dollars, as well as Matching Grants from the Tourism Office. The greatest obstacle to having Delaware's message heard is

having to compete with the messages from other states and the amount of money spent to deliver the message. By comparison, just in tourism advertising spending our neighboring states are:

New York	\$7,778,400
Pennsylvania	\$10,160,000
Maryland	\$3,171,018
New Jersey	\$5,890,000
Virginia	\$3,873,105

Process for creation/revision: An agency has been selected to create the new image. The image was unveiled to our potential partners and buy in is being solicited. The image will launch in spring 2002.

Schedule: The new advertising agency, RT&E, was selected August 24, 2001. The new image and slogan was unveiled on October 30 at the annual Governors Tourism Conference and within the same week to the business community. Soliciting buy in from the potential Marketing Council members and the tourism community began with the unveiling and will continue through the spring.

Measures to guide progress: Measurement will come from the number of private sector businesses that buy in as well as government agencies usage of the new slogan and image. The Marketing Council matching funds from companies will be an easy assessment.

Interactions or inter-relationships with other agencies or units of government: A resolution is needed to mandate that all state agencies begin using the new state image and slogan on all publications, websites, signage etc. thereby replacing any use of any previous or current slogan including Small Wonder.

6. Delaware Biotechnology Institute:

Contact person: Bob Dayton, 577-8496, Delaware Economic Development Office

Enabling Laws: None

Policies: Under Section 34 of the bond bill DBI shall report to the Co-Chairs of the Joint Legislative Committee on Capital Improvements by April 30, 2002, as to the expenditures of this appropriation. The State has provided \$12.5 million of a proposed \$15 million in funding through the bond bill. Separately an agreement was established to administer the appropriation of \$5.5 million through the Twenty First-Century Fund. Quarterly reports, industry input and Advisory Committee Meetings assisted in the creation of the expanded Delaware Biotechnology Institute

History: The establishment of the Twenty- First Century Fund with \$15 million in the mid 1990's paved the way for the creation of five Advanced Technology Centers in Delaware. Under the direction of Bob Coy, then director of the Delaware Economic Development Office, and through the approval process established by the State Science and Technology Council, the Center for Agricultural Biotechnology was formed in 1996. This agreement with the University of Delaware, the state and private industry resulted in the building of the Charles Allen center for poultry disease research and the expansion of the plant molecular biology research in Delaware. Section 34. Biotechnology Institute. The Section 1 Addendum to this Act appropriates \$2,500,000 to the Delaware Economic Development Office for Biotechnology Institute. These funds are intended to demonstrate the state's commitment toward efforts in the life sciences through the support of the Delaware Biotechnology Institute. The Delaware Biotechnology Institute will serve as the catalyst in uniting state, industry and higher education resources in developing new research and development oriented, commercially driven partnerships in the life sciences. These partnerships will be a key element of an overall technology-based economic development strategy for the State. It is expected that the development of the life sciences industry in Delaware will have multiple economic development benefits including enhancing global competitiveness, increasing the diversity of the state's economic base, creating high quality jobs and developing a high level of technical competence in Delaware's workforce. In addition, this development will strengthen the research and technology

transfer capabilities of the University of Delaware, Delaware State University and Delaware Technical and Community College. The funds appropriated herein are intended to attract and support key faculty members conducting research at the Institute. Funds may be targeted toward equipping and developing research laboratories. The Institute is encouraged to use the state funds appropriated herein to leverage private funding as appropriate. The Institute shall report to the Co-Chairs of the Joint Legislative Committee on Capital Improvements by April 30, 2002, as to the expenditures of this appropriation.

Current Situation: The Delaware Biotechnology Institute is progressing as planned with occupation of its new 72,000 square foot facility, hiring of endowed professors, procurement of scientific equipment and the award of funding and of contracts from both the private sector and public sector. The expansion of this initiative from an original \$25 million investment to a \$125 million program will create the research base necessary for economic and commercial growth in biotechnology and related fields. Incubation of companies has begun. Cooperation with Delaware State University and Delaware Technical and Community College is underway.

Revisions/Actions Needed: Future contractual agreements between the institute and the state should focus more on the job creation and company formation with ties to intellectual property and revenues associated to businesses formed through the utilization of state funds. Better communication with state's other programs regarding agreements with technology centers, new companies and universities.

Resources needed to create/revise: None

Process for creation/revision: Review the information from above. Decide the appropriate levels. Negotiate the contracts to meet the new requirements.

Schedule: By December 1, 2001 enough information should be known to proceed with meetings with the technology centers partnering with the State of Delaware. Ninety days should be sufficient to negotiate and write the new language. Language could be incorporated into the next round of bond bill legislation in June 2002.

Measures to guide progress: The capturing of new companies and new jobs as well as dollar return on the intellectual property rights and commercialization rights associated with the new public partnerships, will adequately measure the success of the Governor's new Livable Delaware. Additionally, the report from the Delaware Biotechnology Institute will continue to report progress to date with regard to the bond bill appropriation and the research base necessary for further job creation and company formation..

Interactions or inter-relationships with other agencies or units of government: The institute interacts with the University of Delaware as an entity within it. DBI also cooperates and seeks funding and conducts research and training with Delaware State University and Delaware Technical and Community College. Furthermore, DBI secures grants from Federal Agencies such as NIH, NIST, NSF, DOD and others. DBI works closely with Delaware's congressional team in seeking support at the federal level. Internationally, DBI collaborates with research universities and research organizations in Europe.

7. Delaware State University High Technology Incubator:

Contact Person: Dan McNulty, 672-6818, Delaware Economic Development Office

Enabling Laws: FY2001, Senate Bill 700; FY2002, Senate 250

Policies: The DSU High Technology Incubator is the result of an effort to "grow our own" industries in Delaware by providing a low cost venue for entrepreneurs to first develop and refine their ideas, identify commercial applications, then grow into mature businesses that provide high quality jobs for Delaware's citizens.

Once this incubator is in operation, the key link to "Livable Delaware" is to steer successful businesses to locate their operations according to the State strategy maps. Also, the incubator concept is an ideal fit to "Livable

Delaware” since the goal is to create new jobs within the technology sector, and industry grouping that is traditionally more environmentally sensitive and offering quality jobs at substantially higher wages. These types of technology based companies, because of their “zero impact” on the environment, are welcome in virtually every community.

History: The Delaware Economic Development Office (DEDO), after reviewing the success of the Delaware Technology Park in Newark, Delaware, began to explore the plausibility of creating an incubator environment in Kent County. Capitalizing on the relationship developed with the University City Science Center (UCSC), DEDO began speaking with existing incubator facilities along the East Corridor. Because of Delaware State University’s sponsor relationship with the UCSC and the fact that some of the more successful incubators have occurred where a close tie to a University is present, it was decided to approach Delaware State University with the concept. After much discussion, Delaware State University agreed to donate an appropriate amount of land to accommodate a 40,000 s. f. incubator building. The estimated cost of a 40,000 s. f. incubator is \$5.5 million. The FY2001 Bond Bill appropriated \$1.5 million toward the development of this project and the FY2002 appropriated another \$1.8 million, leaving an estimated \$1.2 million needed to complete the building.

Current Situation: The Incubator Foundation created by Delaware State University has hired an architect and a construction manager. A ground breaking probably will occur within the next three months. Candidates for the Executive Director position have been interviewed and the recruitment committee has identified a candidate they wish to hire. The transfer of the funding for this position is expected shortly upon receipt of the letter of approval from the Internal Revenue Service for the Foundation’s 501C (tax-exempt) status.

Revisions/Actions Needed: The \$5.5 million cost projection is an estimate and the actual cost of construction could be slightly higher. It is not anticipated that any additional cost, if realized, would exceed more than \$500,000. Should this occur, then an additional appropriation would be requested in the FY2004 Bond Bill.

Resources Needed to Create/Revise: The resources needed to complete this project are now being provided by Delaware State University. The DEDO is now acting as a facilitator and this role will be diminished once a full time Executive Director has been hired by the Incubator Foundation. DEDO will always have a role in assisting in identifying candidate entrepreneurs for the incubator and a later role in working with companies graduating into a post-incubator environment.

Process for Creation/Revision: There are no additional required processes known at this time, beyond requesting that a final appropriation occur in the FY2003 Bond Bill.

Schedule: Construction should begin during the first quarter of 2002 with an approximate completion date before March 31, 2003.

Measures to Guide Process: The Delaware Economic Development Office will be working with Delaware State University as they proceed through the construction phase and will also work with the Executive Director, once hired, to assist him/her with planning, networking and recruiting entrepreneur candidates for the incubator.

8. Delaware Technical and Community College – Owens Campus Incubator:

Contact person: Gary Smith - 672-6817, Delaware Economic Development Office

Enabling Laws: None

Policies: The Delaware Development Office through its mission statement is to enhance the quality of life for all Delawareans by facilitating the retention and creation of quality jobs. In order to accomplish this the Delaware Economic Development Office has created the following goals to enhance the diversification of Delaware’s economic base with an emphasis on the following industry sectors:

- Information Technology,
- Biotechnology, and
- Agricultural Products and Services.

Also, to promote the growth of Small Businesses through retention and expansion activities and incentives. The incubator planned for the Owens Campus in Georgetown, when operational, will represent a key link to “Livable Delaware” by helping to steer successful businesses to locate their operations according to the State strategy maps.

History: In fiscal year 2001 Delaware State University received \$1.5 million in funding through the Bond Bill to create a high tech incubator. In fiscal year 2002 Delaware State University received an additional \$1.8 million in funding, for a total funding of \$3.3 million received. In an effort to help start a similar project in Sussex County our office approached Delaware Community College Owens Campus to determine their interest in beginning a incubator in Sussex County. The College enthusiastically embraced the concept, since they all too often see graduating students leave the County or region in order to find quality jobs.

Current Situation: The Delaware Economic Development Office has offered to provide a \$75,000 grant each year, for two years, for a total of \$150,000 through the Delaware Economic Development Office Strategic Fund, to pay for the salary of an incubator administrator. This grant can be used to hire a consultant or individual to be the incubator manager. Any fringe benefits for this position will be the responsibility of Delaware Technical Community College Owens Campus. The College has submitted an application for funding and that has been approved through our external committee, the Council on Development Finance.

Revisions/Actions Needed: Now that funding is in place, there are no revisions or actions needed or anticipated.

Resources needed to create/revise: No additional resources necessary as sufficient State and College resources are present to meet the goals and objectives of Livable Delaware.

Process for creation/revision: None

Schedule: Hire an incubator manager within the next three months, now that funding has been secured.

Measures to guide progress: We provide a list of projects which our office has funded through the Strategic Fund to the Bond Bill Committee. We can easily add additional information detailing where a project is located and if it meets the goals of Livable Delaware.

Interactions or inter-relationships with other agencies or units of government: This project requires that we work very closely with Delaware Technical Community College Owens Campus and/or their designated manager.

ECONOMIC DEVELOPMENT FINANCING PROGRAMS

9. Delaware Strategic Fund:

Contact person: James A. Burke

Enabling Laws: 29 Delaware Code, §§ 5027 - 5029

Policies: The Delaware Economic Development Office has drafted rules and regulations to administer the Strategic Fund. The office has also developed internal policies to respond to requests for financial assistance from the Strategic Fund

History: The Delaware Strategic Fund was created in fiscal 1993 to consolidate a number of separate development finance programs and their separate funds, including the Delaware Incentive Fund, the Land Acquisition Fund, the Relocation Assistance Fund and the Economic Development Fund. This consolidation occurred because the legislature found separate programs and funds did not maximize efficiency of administration by the State or the business community. These funds had previously been funded in aggregate at \$2,250,000 per year. The Strategic Fund received this level of funding in fiscal 1993. In fiscal 1994, the Strategic Fund received \$10,000,000 of appropriated funding from the Bond and Capital Improvement Act. The Strategic Fund has been funded each fiscal year since 1994 from the Bond and Capital Improvement Act. Funds from the Strategic Fund are used by the Delaware Economic Development Authority (this is a one-person authority – the Director of the Delaware Economic Development Office is, by statute, the Chairperson of the Delaware Economic Development Authority) to provide loans or grants for a broad range of economic development projects within the state.

Projects that request Strategic Fund assistance are evaluated by the staff of the Delaware Economic Development Office, through a comprehensive application, by a public advisory body to the Chairperson of The Delaware Economic Development Authority, the Council on Development Finance (29 De. Code 5007), by a dedicated Deputy Attorney General from the state's Department of Justice and by the Chairperson of the Delaware Economic Development Authority.

Current Situation: The Delaware Strategic fund is the principal economic development tool used by the Delaware Economic Development Office to assist with the retention, creation or recruitment of quality jobs and for other qualified economic development projects. The enabling law and regulations give the Chairperson of the Authority flexibility to direct the fund's usage to support Livable Delaware initiatives. The Chairperson will use best efforts to provide Strategic Fund assistance in accordance with Livable Delaware initiatives. The Fund received \$10,000,000 for fiscal year 2001 from the Bond and Capital Improvement Act.

Revisions/Actions Needed: The regulations of the Delaware Strategic Fund are being amended to incorporate new regulations for Brownfield Assistance as a result of the recent passage of Senate Bill No. 183. This bill was part of the Governor's Livable Delaware package of legislation. The bill increased the amount of Delaware Strategic Fund matching grants to \$50,000 from \$25,000 to be used for environmental studies and/or remediations of real property certified as Brownfields by the Delaware Department of Natural Resources and Environmental Control. It also increased the annual aggregate amount of such grants from \$500,000 to \$1,000,000.

Resources needed to create/revise: We believe that enhanced Brownfield Assistance will require no additions to staff or other resources. The Chairperson of the Delaware Economic Development Authority may suspend the making of grants if the Chairperson finds that monies in the Delaware Strategic Fund would be better used for other Fund purposes.

Current annual funding levels have required no additions to staff or other resources.

Process for creation/revision: New Delaware Strategic Fund regulations have been written.

Schedule: A copy of the new regulations has been submitted to the Registrar of the Register of Regulations. At this time, we anticipate holding a public hearing for comments on these regulations on October 1, 2001.

Measures to guide progress: We will monitor the number of Delaware Strategic Fund grants disbursed under the new Brownfield Assistance criteria

Interactions or inter-relationships with other agencies or units of government: The Delaware Department of Natural Resources and Environmental Control must certify that property is a Brownfield for it to qualify for the matching Delaware Strategic Fund grant program. This department is developing regulations for such certification.

10. Conduit Tax-Exempt Bond Program:

Contact person: James A. Burke

Enabling Laws: 29 Delaware Code §§ 5051 - 5068

Policies: The Delaware Economic Development Office has drafted regulations to administer the issuance of conduit tax-exempt bonds by the Delaware Economic Development Authority.

History: The Delaware Economic Development Authority has issued its tax-exempt revenue bonds for over 15 years. Bonds can only be issued for projects that qualify under federal tax law for tax-exempt financing. These bonds are repayable solely from the revenue generated by an underlying project. These bonds do not obligate the state for either principal or interest. The volume or quality of bonds issued do not directly impact the state's general obligation bond program. These bonds are sold to the public or are privately-placed. Bond proceeds are loaned to the revenue-producing entity, also known as the conduit borrower, through a separate loan agreement. These bonds have been issued for plant expansions, pollution control projects and for projects from qualified charities.

The approval process for a bond issue includes a staff review of a potential issue, the receipt and evaluation of a comprehensive application, a review by a public advisory group, the Council on Development Finance, at a public meeting, assistance throughout the process by a dedicated Deputy Attorney General from the state's Department of Justice, a thorough review of bond documents, the approval of the Chairperson of the Delaware Economic Development Authority and the approval of the state's Bond Issuing Officers.

Current Situation: Most of the activity in this segment of the municipal market has shifted to bonds issued for pollution control projects, charities or refunding issues. The Chairperson of the Delaware Economic Development Authority will use best efforts to issue bonds in accordance with Livable Delaware initiatives.

Revisions/Action Needed: None – The limiting factor for the issuance of tax exempt bonds in each state is its volume cap. Delaware's volume cap each year is now in excess of \$150 million. Bonds issued for pollution control, charities or for refunding purposes do not use volume cap. These transactions are negotiated between buyer and seller before being discussed with the Delaware Economic Development Office. Conduit borrowers can apply to other qualified issuers including the City of Wilmington and each of the counties.

Resources needed to create/revise: None

Process for creation/revision: None

Schedule: None

Measures to guide Process: None

Interaction or inter-relationships with other agencies or units of government: The Delaware Economic Development Authority receives legal representation for bond issues from a dedicated Deputy Attorney General from the state's Department of Justice and on an issue by issue basis from outside counsel.

11. Delaware Access Program:

Contact person: Jon Nichols

Enabling Laws: Section 29, Subsection (c) i) of Chapter 360 of Volume 66 of the Laws of Delaware.

Policies: Although there are no adopted policies that affect this activity, the program is governed by an agreement that is signed by participating banks. The agreement outlines how the program is administered and the nature of the working relationship between the bank and the Delaware Economic Development Authority ("DEDA").

History: In 1993, the Director of the Delaware Economic Development Office proposed a way to leverage State funds that, with the participation of local banks, would provide capital for small businesses. The legislation to provide funding was approved in the FY 1994 Bond Bill and the program was launched in October of 1993. The program operates through the DEDA and offers a unique approach to State initiatives for small and medium sized business financing. This approach, which emphasizes private sector lending, investment and decision making, is to assist businesses in obtaining access to needed financing.

The Delaware Access Program is designed to give banks a flexible and extremely non-bureaucratic tool to make business loans that are somewhat riskier than a conventional bank loan, in a manner consistent with safety and soundness. It is designed to use a small amount of public resources to generate a large amount of private bank financing, thus providing access to bank financing for many Delaware businesses that might otherwise not be able to obtain such access.

Based on a risk-pooling concept, it is an approach that is fundamentally different from the traditional type of insurance or guarantee program, which guarantees a percentage of a loan on a loan-by-loan basis. Instead, the Delaware Access Program is based on a portfolio concept. For each bank participating in the Program, a special reserve fund is established to cover future losses from a portfolio of loans that the bank makes under the program. This special reserve fund is owned and controlled by DEDA, but is earmarked in that bank's name. Thus, each participating bank has its own separate earmarked reserve. A bank can withdraw funds from its earmarked reserve only to cover losses on loans made under the program.

When a bank makes a loan under the program, the borrower pays a one-time premium charge into a reserve account, which is matched by a bank premium payment. DEDA then matches the combined total of the borrower's payment and the bank's payment. The borrower's premium payment is one of the terms of the loan to be worked out as part of the private transaction between the bank and the borrower. (The premium payment, and other up-front expenses, may be financed as part of the loan.)

If a bank develops a portfolio of loans under the program, it might have a reserve equal to (for example) ten percent of the total amount of that portfolio. In such a situation the bank could sustain a dollar loss rate of up to ten percent on that portfolio and still be completely covered against loss. This gives the bank the ability to absorb a higher loss rate than it could tolerate on its conventional loans. However, the bank must still be prudent, since it is completely at risk for any losses that exceed the coverage provided by the reserve.

Because of the payments that need to be made into the reserve, a loan under this program is likely to be slightly more expensive than a conventional bank loan. Not only does the borrower make a payment into the reserve, as described above, but it is also expected that the bank may, in some manner, recover from the borrower the cost of the bank's payment into the reserve. (For example, the bank may charge a somewhat higher interest rate, to gradually recover the cost over the life of the loan, or charge an up-front fee.) The key point is that the program will provide access to financing for many companies that cannot qualify for conventional bank financing. Financing under the Delaware Access Program is likely to be much less expensive for a company than alternative non-bank sources of financing (if any are available).

It is important to emphasize that a loan under this program is a private transaction between the bank and the borrower. DEDA plays no role in the decision by the bank regarding the making of the loan, or in setting the interest rate, fees, duration or other terms or conditions of the loan. Although the program assists banks that wish to be more aggressive in taking more risk than normal, it is still the bank that bears the risk of the loan and is responsible for the decision making. Neither DEDA nor any other state agency is in a position to influence the bank's decision.

The program is characterized by its total lack of bureaucracy. The bank simply makes the loan, and then files a one-page Loan Filing Form with DEDA within ten days after the loan is made. Loans can be long or short term, term loans, or lines of credit. Once a loan is made under the program, the bank has the flexibility to recast, extend, or refinance the loan to address the needs of the business. Program eligibility is broad based, and, with few exceptions, encompasses any business located in Delaware that satisfies the bank's criteria.

Current Situation: Since the program is almost eight years old, staff will conduct a review of the program and amend the terms of the separate agreements if necessary. The program serves as a non bureaucratic way to assist small businesses, helping to provide high quality employment opportunities as contemplated by initiatives of Livable Delaware.

Revisions/Actions Needed: As stated above, staff will conduct a program review. No other actions need be taken to be compatible with Livable Delaware.

Resources needed to create/revise: No additional resources or manpower are necessary.

Process for creation/revision: None

Schedule: Program review should be completed by December 31, 2001.

Measures to guide progress: Performance measures are tracked by a reporting mechanism from the bank to DEDA. The number of loans are tracked along with the number of jobs created or retained, number of loans to women and minorities, and the leverage of State funds to private resources. As stated above, the Delaware Access Program is designed to use a small amount of public resources to generate a large amount of private bank financing, thus providing access to bank financing for many Delaware businesses that might otherwise not be able to obtain such access.

Interactions or inter-relationships with other agencies or units of government: There are no other interactions or inter-relationships with other agencies or units of government with this program. All such interactions are with participating banks.

12. Small Business Innovation Research Grants (SBIR):

Contact person: James A. Burke

Enabling Laws: 29 Delaware Code, §§ 5035 - 5038

Policies: The Delaware Economic Development Office has drafted regulations to administer SBIR grants. This program, policies and regulations to administer it are included in the Delaware Strategic Fund regulations and policies. Please see the Delaware Strategic Fund Livable Delaware Activity – Detailed Program Description for additional details

History: The SBIR grant program was part of the Delaware Technical Innovation Program described in 29 Delaware code (see above). The program was designed to stimulate technical research and innovation by providing small businesses with bridge funding. Qualified applicants must have received an SBIR Phase 1 Award from the federal program (these awards can be up to \$100,000) and must have applied for but not yet received an SBIR Phase II award from the federal program. Under the state program, SBIR grants can be awarded up to \$50,000.

Current Situation: The SBIR grant program helps to provide high quality employment opportunities for small, high-technology companies in accordance with Livable Delaware goals.

Revisions/Actions Needed: This program does not need to be revised.

Resources needed to create/revise: None

Process for creation/revise: None

Schedule: None

Measures to guide progress: None

Interactions or inter-relationships with other agencies or units of government: None

PRIORITIZED LEGISLATIVE, BUDGET, ADMINISTRATIVE, AND PROGRAM IMPLEMENTATION

The programs below are identified by number and prioritized in the chart that follows.

1. Delaware Main Street Program
2. Neighborhood Assistance Act
3. Governor's Workforce Development Grant
4. Green Industries
5. Brownfields Assistance Program
6. Delaware Image Campaign
7. Delaware Biotechnology Institute
8. Delaware State University High Technology Incubator
9. Delaware Technical and Community College – Owens Campus Incubator
10. Delaware Strategic Fund
11. Conduit Tax-Exempt Bond Program
12. Delaware Access Program
13. Small Business Innovation Research Grants (SBIR)

DEPT	PROGRAM	LEGISLATION NEEDED	ADMINISTRATIVE CHANGES	BUDGET NEEDS	TIMEFRAME	LDAC PRIORITY
10-03	1	N/A	N/A	N/A	On-going	1
10-03	2	N/A	Program Promotion	N/A	On-going	2
10-03	3	N/A	Change Tax Credit	N/A	On-going	4
10-03	4	N/A	N/A	N/A	12/31/2001	3
10-03	5	N/A	N/A	N/A	10/30/2001	8
10-03	6	N/A	N/A	N/A	On-going	7
10-03	8	N/A	N/A	N/A	3/31/2003	5
10-03	9	N/A	N/A	N/A	TBD	6
10-03	10	N/A	Amend Regulations	N/A	10/01/2001	9
10-03	11	N/A	N/A	N/A	On-going	10
10-03	12	N/A	Program Review	N/A	12/31/2001	11
10-03	13	N/A	N/A	N/A	On-going	12

Chart Notes:

- Legislation Needed: enabling legislation for the above programs are in place or not needed.
- Budget Needs: program budget needs are currently provided or requested through DEDO's Operating and Capital Budget Requests.

1. Delaware Main Street Program: Delaware Main Street seeks to work with Federal, State, Local and Non-Profit Agencies who encourage redevelopment of the downtown; improve the livability of existing communities and urban areas; and whose vision is to improve the economic stability of the community's commercial district. Current partnerships include United States Department of Agriculture, University of Delaware's Center for Historic Architecture and Design and Small Business Development Center, Department of State, State Historic Preservation Office, Preservation Delaware, and American Planning Association.

2. Neighborhood Assistance Act: The Delaware Economic Development Office, The Governors Office, The Legislature, and the Tax Appeal Board.

3. Green Industries: The Coastal Zone Act administered by DNREC has made it difficult for businesses that have the potential to offer environmental benefits, i.e. recycling, to locate in an area targeted for development according to the Strategies for State Policies and Spending document.

4. Brownfields Assistance Program: There is currently legislation at the federal level (S. 350) that is being debated, and if passed, would provide additional cleanup funds for brownfields. There is also state and federal tax credits available for businesses that remediate and locate on a brownfield site. In addition, DNREC's Underground Storage Tank program has funds that can be used for the removal of underground tanks that are abandoned, or the current owner cannot afford to pay for the removal. Underground storage tanks are commonly found on brownfields.

DEDO is also committed to working with DNREC and the new Brownfields Coordinator for the City of Wilmington to redevelop brownfields within Wilmington. Wilmington currently has approximately \$300K in EPA grants that can be used to assess brownfield sites, and develop redevelopment plans with interested stakeholders.

5. Delaware Image Campaign: A resolution is needed to mandate that all state agencies begin using the new state image and slogan on all publications, websites, signage etc. thereby replacing any use of any previous or current slogan including Small Wonder.

6. Delaware Biotechnology Institute: The institute interacts with the University of Delaware as an entity within it. DBI also cooperates and seeks funding and conducts research and training with Delaware State University and Delaware Technical and Community College. Furthermore, DBI secures grants from Federal Agencies such as NIH, NIST, NSF, DOD and others. DBI works closely with Delaware's congressional team in seeking support at the federal level. Internationally, DBI collaborates with research universities and research organizations in Europe.

7. Delaware State University High Technology Incubator: The Delaware Economic Development Office will be working with Delaware State University as they proceed through the construction phase and will also work with the Executive Director, once hired, to assist him/her with planning, networking and recruiting entrepreneur candidates for the incubator.

8. Delaware Technical and Community College – Owens Campus Incubator: This project requires that we work very closely with Delaware Technical Community College Owens Campus.

9. Delaware Strategic Fund: The Delaware Department of Natural Resources and Environmental Control must certify that property is a Brownfield for it to qualify for the matching Delaware Strategic Fund grant program. This department is developing regulations for such certification.

10. Conduit Tax-Exempt Bond Program: The Delaware Economic Development Authority receives legal representation for bond issues from a dedicated Deputy Attorney General from the state's Department of Justice and on an issue by issue basis from outside counsel.

11. Delaware Access Program: There are no other interactions or inter-relationships with other agencies or units of government with this program. All such interactions are with participating banks.

12. Small Business Innovation Research Grants (SBIR): None

SUMMARY OF E-GOVERNMENT APPLICATIONS

DEDO is currently development an electronic newsletter to communicate with the economic development community relative to business retention, expansion, and recruitment. In the future the majority of communication materials that would normally be printed will be sent electronically.